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# Reports and Testimony: April 1992

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## Highlights

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### Haitian Refugees

*Weaknesses in the administrative procedures for processing the asylum claims of Haitian refugees being held at Guantanamo Bay caused 54 people with credible claims to be mistakenly repatriated, while 50 without credible claims were mistakenly sent to the U.S. to have their cases adjudicated. Page 34.*

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### Apache Helicopters

*Although the Apache was able to perform its assigned missions during the Persian Gulf war, its component problems, sometimes intensified by harsh desert conditions, did adversely affect the performance of essential weapons and other subsystems. Page 36.*

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### Insurer Failures

*The number of insolvencies of life and health insurance companies increased significantly during the 1980s, resulting in millions of dollars in rising costs to state guaranty funds, insurers, policyholders, and taxpayers. Page 5.*

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## Agriculture and Food

### **Water Quality: Information on USDA's Water Quality Cost-Share Programs**

GAO/RCED-92-139FS, Mar. 16 (19 pages).

This fact sheet provides information spanning fiscal years 1988 through 1992 on U.S. Department of Agriculture (USDA) programs that provide cost-sharing for water quality activities. "Cost-share payments" refer to money given to producers—generally eligible farmers and ranchers—to implement USDA-approved water quality activities on their land. GAO discusses (1) USDA's programs providing cost-share payments to producers to protect or enhance water quality; (2) activities that protect or enhance water quality, in particular, those activities eligible for cost-sharing under these programs; and (3) the funding of these programs.

### **Farmers Home Administration: Billions of Dollars in Farm Loans Are at Risk**

GAO/RCED-92-86, Apr. 3 (104 pages).

GAO has begun a special audit effort focusing on 16 high-risk federal programs to help identify and eliminate fraud, waste, abuse, and mismanagement. This report examines one of those high-risk areas—the Farmers Home Administration's (FmHA) farm loan programs. In GAO's view, FmHA seems destined to continue losing millions of dollars annually in bad loans as long as its mandated mission—to keep high-risk farmers on their farms—conflicts with normal fiscal controls and policies that minimize risk and financial losses. GAO recommends that FmHA establish a system to ensure that (1) lending officials stick to the agency's loan standards, (2) delinquent borrowers are prohibited from receiving direct loans, (3) FmHA establish a range of guarantees that places the highest percentage guarantee on the least risky loan and a lower percentage guarantee on the most risky loan, and (4) FmHA uses competitive methods in selling farm inventory properties.

### **FDA Premarket Approval: Process of Approving Olestra as a Food Additive**

GAO/HRD-92-86, Apr. 7 (10 pages).

For more than 20 years, Proctor & Gamble has been trying to obtain premarket approval by the Food and Drug Administration (FDA) for

Olestra—a noncaloric fat substitute covered by four U.S. patents. The first patent expired in 1988, and others will expire in 1994. Legislation has been introduced in Congress to extend Olestra's existing patents for another 10 years, beginning on the date of FDA approval. Proctor & Gamble believes that patent term extensions are justified because it views Olestra as a novel food additive for which FDA had no established regulatory approval path. The company contends that approval was delayed because it had to help FDA pioneer new scientific and administrative procedures to review the substance. This report examines the circumstance relating to actions by FDA and Proctor & Gamble during the last 21 years.

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## Testimony

U.S. Department of Agriculture: Revitalizing and Streamlining the Department, by John W. Harman, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-RCED-92-53, Apr. 8 (16 pages).

The U.S. Department of Agriculture (USDA) needs revitalization if it is to be a leading force in American agriculture in the 21st century. Developments in nutrition, international trade, and environmental issues have broadened USDA's client base. Yet the agency's structure has changed little since the Great Depression. As a result, USDA is in a poor position to draw on expertise and respond quickly to cross-cutting and emerging issues. USDA needs to reexamine its mission and goals, and then design an organizational structure and system that can achieve them. Streamlining USDA's existing field structure—in which farmers have to contend with different offices, employees, and administrative procedures—could yield substantial efficiencies and cost savings. USDA will, however, have to overcome the parochial concerns of individual agencies as it tries to meet the needs of a rapidly changing agricultural sector. Even with strong leadership and a long-term commitment by USDA and Congress, revitalizing USDA will not be easy—a task made all the more difficult by the current environment of severe fiscal constraints.

Farmers Home Administration: Farm Loan Programs and Proposed Changes, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-RCED-92-59, Apr. 29 (14 pages).

GAO testified on the Farmers Home Administration's (FmHA) farm loan program and proposed legislation—the Agricultural Credit Improvement

Act of 1992—that would create a program to aid beginning farmers and revise FmHA loan-processing procedures. GAO concludes that the federal investment in farm loans is inadequately protected and that FmHA has been ineffective in improving the financial condition of borrowers so that they can obtain commercial credit, as was originally intended. While GAO agrees with the underlying intent of the proposed legislation, particularly measures to provide closely supervised, conditional credit to new farmers as a way to increase their chances for long-term success, GAO is concerned that the bill does not set limits on the length of time that FmHA is expected to provide financial help to borrowers who are not new farmers.

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## Budget and Spending

### **Impoundments:**

#### **Budget Authority for HUD, AID, and the Forest Service Has Been Released as Required Under the Impoundment Control Act**

GAO/OGC-92-8, Apr. 20 (two pages).

This letter discusses the status of budget authority the President proposed for rescission in his third special impoundment message for fiscal year 1992, but for which Congress has not yet passed a rescission bill. The funding involves programs at the Department of Housing and Urban Development, the Agency for International Development, and the Forest Service. All the budget authority withheld under this rescission proposal has been released for obligation by the Office of Management and Budget. Funds proposed for rescission must be made available for obligation unless Congress passes a rescission bill within 45 days after receiving the proposal. The 45-day period ended on April 4, 1992, without Congress having passed such legislation.

### **Impoundments:**

#### **Comments on Proposed Rescissions of DOD, HHS, HUD, and Transportation Budget Authority**

GAO/OGC-92-6, Apr. 22 (six pages).

On March 10, 1992, the President submitted to Congress his fourth special impoundment message for fiscal year 1992. This message reports 30 proposed rescissions of budget authority. GAO has reviewed these proposals and found them to be in accordance with the Impoundment Control Act.

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**Impoundments:**

**Comments on Proposed Rescissions for HUD, Interior, and EPA  
Included Among the President's Omnibus Impoundment Proposals**

GAO/OGC-92-7, Apr. 29 (three pages).

On March 20, 1992, the President submitted to Congress his fifth through 72nd special messages for fiscal year 1992, which report 68 proposed rescissions of budget authority affecting the Department of Housing and Urban Development, the Department of the Interior, and the Environmental Protection Agency. GAO reviewed each rescission message and found them to be in accordance with the Impoundment Control Act. Funds proposed for rescission must be made available for obligation unless Congress passes a rescission bill within 45 days after receiving the proposal. GAO and the Office of Management and Budget agree that the 45-day period is scheduled to end on May 20, 1992.

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**Business, Industry,  
and Consumers**

**Insurer Failures:**

**Difference in Property/Casualty Guaranty Fund Protection and  
Funding Limitations**

GAO/GGD-92-55BR, Mar. 12 (25 pages).

All states have property/casualty guaranty funds to protect policyholders and claimants from financial loss due to an insurance company insolvency. The increased number and size of insurance company insolvencies during the 1980s have heightened concern over the amount and extent of protection these funds offer. This briefing report looks at differences in guaranty fund protection among the states as well as current or potential problems that funds may have in paying the claims of insolvent firms. GAO focuses primarily on the statutory framework defining the structure of the guaranty fund system rather than on the daily operations and procedures of individual funds.

**Insurer Failures:**

**Life/Health Insurer Insolvencies and Limitations of State Guaranty  
Funds**

GAO/GGD-92-44, Mar. 19 (52 pages).

Failure rates for life/health insurance companies are increasing, and the costs to state guaranty funds, which are supposed to provide limited continuation of coverage and pay benefits to beneficiaries after an insurer fails, are also on the rise. Between 1975 and 1990, about 175 companies were declared insolvent, most of them after 1987. The costs to the guaranty funds of these failures totaled about \$515 million for the 15-year period. GAO discovered significant gaps in the protections afforded policyholders due to variations in the rules and coverage criteria of the state guaranty funds. The protections can also vary depending on the financial health of the fund. With the rising number of failures of small insurers and the recent regulatory takeovers of large life/health insurers, there is a growing likelihood that even more policyholders than in the past will face the prospect of falling through the safety net, deprived of the benefits promised by their insurers. GAO summarized this report in testimony before Congress; see:

Insurer Failures: Life/Health Insurer Insolvencies and Limitations of State Guaranty Funds, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Antitrust, Monopolies and Business Rights, Senate Committee on the Judiciary. GAO/T-GGD-92-15, Apr. 28 (14 pages).

**Small Business Program:  
Efforts to Increase Participation in State Department Contracts**

GAO/NSIAD-92-130, Mar. 19 (nine pages).

State Department data for fiscal years 1990 and 1991 show that the Department met or exceeded most of its goals for awarding contracts to small, small disadvantaged, and women-owned businesses. State Department officials said that most of these contracts were awarded to businesses in the Washington, D.C., area. GAO discovered, however, that the Department's Office of Small and Disadvantaged Business Utilization, which has a small staff and modest resources, has only a limited ability to promote the small business program. The office has done little to promote target business participation in overseas procurements, which may account for about half (\$500 million) of the Department's contracting. GAO recommends that the Department develop a plan to promote more participation by small, small disadvantaged, and women-owned U.S. businesses in overseas procurements; prepare written descriptions identifying the roles and responsibilities of the major procurement units under the small business program; and automate records maintained by

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the Office of Small and Disadvantaged Business Utilization on target businesses.

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## Testimony

Insurance Regulation: The Financial Regulation Standards and Accreditation Program of the National Association of Insurance Commissioners, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-GGD-92-27, Apr. 9 (27 pages).

Despite wider state adoption of National Association of Insurance Commissioners (NAIC) financial regulation standards, GAO is not convinced that accredited state insurance departments can effectively regulate insurers within their borders. First, the financial standards are, for the most part, general and have been interpreted permissively by accreditation review teams. Second, the accreditation program has focused too little on state insurance departments' implementation of regulatory authorities and required practices. Third, review teams' documentation of their accreditation decisions do not consistently support their compliance decisions. To be successful, GAO believes that the NAIC accreditation program needs to resolve these shortcomings.

Economic Espionage: The Threat to U.S. Industry, by Milton J. Socolar, Special Assistant to the Comptroller General, before the Subcommittee on Economic and Commercial Law, House Committee on the Judiciary. GAO/T-OSI-92-6, Apr. 29 (eight pages).

The theft of U.S. proprietary information or technology by foreign companies has been a long-standing problem. With the end of the Cold War, however, foreign governments have intensified efforts to steal U.S. proprietary or other information to advance their countries' economic position. Economic espionage is an important problem that the U.S. criminal justice and intelligence agencies have yet to adequately address. A thorough review is needed of which agencies should be involved in this issue and what their responsibilities should be. No decision should be made without the benefit of a full public debate. Most of the discussions now taking place are behind closed doors within the intelligence community. In the final analysis, Congress may need to pass legislation protecting American industry from economic espionage.



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## Education

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### Testimony

Intercollegiate Athletics: Revenues and Expenses, Gender and Minority Profiles, and Compensation in Athletic Departments, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee on Commerce, Consumer Protection, and Competitiveness, House Committee on Energy and Commerce. GAO/T-HRD-92-25, Apr. 9 (14 pages).

In this testimony on intercollegiate athletics, which generate more than \$1 billion in interstate commerce each year, GAO discusses (1) the revenues and expenses of the National Collegiate Athletic Association (NCAA) and its member schools' athletic departments, (2) the gender and race/ethnicity of athletic department staff members, and (3) athletic department salaries and benefits according to gender and race/ethnicity. GAO also analyzes the profile and compensation data by comparing information for historically black schools to similar information for the other schools in NCAA's division I.

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## Employment

### **Occupational Safety and Health: Penalties for Violations Are Well Below Maximum Allowable Penalties**

GAO/HRD-92-48, Apr. 6 (32 pages).

Civil penalties are an important enforcement tool in encouraging employers to meet their legal responsibilities to provide safe and healthful workplaces. Concerned that the Occupational and Safety Administration's (OSHA) penalties were too low to be an effective deterrent, Congress raised the penalty ceiling in November 1990. This report, undertaken before the increase was enacted, examines (1) how actual penalties compare with the maximums allowed, (2) whether proposed penalties and reductions are about the same across regions and at the different administrative and judicial review levels, and (3) if OSHA's policy of reducing penalties to avoid litigation achieved its goal of quicker and more comprehensive abatement of cited hazards. GAO also obtained information on the effects of the higher penalty limits that OSHA implemented in March 1991. GAO observes that basing penalties on employers' economic benefit from not complying would help strengthen the desired deterrent effect.

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**Immigration and the Labor Market:  
Nonimmigration Alien Workers in the United States**

GAO/PEMD-92-17, Apr. 28 (96 pages).

Interest is widespread in the entry of alien workers into the U.S. workforce. Some view foreign workers as a solution to labor problems, while others see them as a threat to the job security of Americans. About 136,000 aliens became employment-based immigrants between 1984 and 1989, with another 293,000 temporary alien workers admitted during the same period. GAO studied two classes of immigrants: (1) H-1 nonimmigrants, aliens "of distinguished merit and ability" who are admitted temporarily to do work of "an exceptional nature," and (2) L-1 nonimmigrants, aliens employed by an international firm who are entering the United States to work for that company as a manager, executive, or a specialist in a particular field. GAO's research suggests that thousands of permanent jobs in the U.S. are being filled by a succession of highly skilled temporary alien workers in fields like engineering and science, while in the health care industry 85 percent of temporary alien workers, mostly nurses, occupied jobs intended to be permanent.

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**Energy**

**Energy R&D:  
DOE's Prioritization and Budgeting Process for Renewable Energy Research**

GAO/RCED-92-155, Apr. 29 (22 pages)

This report examines how the Department of Energy (DOE) plans and budgets research and development projects for renewable energy technologies. Such technologies include electricity generation from solar, wind, and geothermal energy sources. GAO discusses how DOE (1) determines the annual budget for energy technologies, including renewal, fossil, and nuclear energy, and the role played in this process by the Office of Management and Budget; (2) allocates research and development funds among renewable energy technologies; and (3) ensures that specific congressional directives for research and development projects for renewable energy technology are followed. GAO summarized this report in testimony before Congress; see:

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Energy R&D: DOE's Prioritization and Budgeting Process for Renewable Energy Research, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-RCED-92-57, Apr. 30 (15 pages).

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Testimony

Nuclear Weapons Complex: GAO's Views on Reconfiguring the Complex, by Victor S. Rezendes, Director of Energy Issues, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-92-49, Apr. 1 (nine pages).

In addition to long-standing safety and environmental problems plaguing the nuclear weapons complex, the Department of Energy (DOE) faces a major new challenge—how to reconfigure the weapons complex to meet the nation's defense needs in the 21st century. Key decisions still need to be made about the size of the complex; where, if necessary, to relocate various operations; what technologies to use for new tritium production; and what to do with excess weapons-grade material. The choices confronting DOE and Congress are difficult given the conflicting demands for limited resources.

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Environmental  
Protection

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Testimony

Solid Waste: Progress in Implementing the Federal Program to Buy Products Containing Recovered Materials, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Transportation and Hazardous Materials, House Committee on Energy and Commerce. GAO/T-RCED-92-42, Apr. 3 (20 pages).

The amount of solid waste America produces has reached staggering proportions, increasing from 87 million tons per year in 1960 to 180 million tons in 1988; 216 million tons annually are projected by the year 2000. In the past, most of this waste has ended up in community landfills, many of which are now reaching capacity. This testimony focuses on the Resource Conservation and Recovery Act, which encourages the development of products containing recovered materials, thus reducing the volume of solid waste destined for landfills. GAO discusses the (1) Environmental Protection Agency's progress in developing procurement guidelines on products containing recovered materials, (2) overall federal progress in

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implementing the procurement program, and (3) Department of Commerce's role in encouraging the commercialization of resource recovery technologies used to obtain usable materials from items that might otherwise be discarded.

Water Pollution: EPA Budget Needs to Place Greater Emphasis on Controlling Nonpoint Source Pollution, by Richard L. Hembra, Director of Environmental Protection Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-92-46, Apr. 7 (13 pages).

The magnitude of nonpoint source pollution, which arises from a diversity of sources, including farming, rather than from a single, specific location, makes it particularly hard to control. Unless the problem is addressed, however, the nation's water quality stands little chance of improvement. As the agency primarily responsible for implementing the Clean Water Act, the Environmental Protection Agency (EPA) should be taking the lead in helping state and local governments deal with this problem. EPA has an ambitious agenda, but staffing and budgetary constraints are serious problems. These difficulties have been exacerbated by funding priorities that overemphasize the control of point source pollution at the expense of nonpoint source pollution. The President's budget proposals for fiscal years 1992 and 1993 afford EPA the opportunity to more closely align its funding with the relative risks to health and the environment. Given the administration's imbalanced funding proposals for EPA water quality programs, however, it will once again fall to Congress to ensure that limited funds are used more effectively in cleaning up the nation's polluted waterways.

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## Financial Institutions

### **Resolution Trust Corporation: Assessing Portfolio Sales Using Participating Cash Flow Mortgages**

GAO/GGD-92-33BR, Feb. 25 (44 pages).

The Resolution Trust Corporation (RTC) faces a major challenge in disposing of less desirable real estate assets in a depressed market. GAO believes that the use of portfolio sales using participating cash flow mortgages could be an important tool in disposing of RTC's least marketable real estate and reflects RTC's willingness to become more innovative and market responsive. GAO also believes that the strengths of the pilot portfolio sales using participating cash flow mortgages outweigh the weaknesses. GAO cautions, however, that additional actions are needed to

improve pilot portfolio sales and to aid future transactions, including a post-closing assessment of the pilot transactions and creation of a centralized oversight process before completion of the pilot transactions. To this end, GAO suggests that RTC develop detailed oversight procedures for loan monitoring and administration, centralize oversight responsibility, and implement an oversight process in a timely manner. GAO also recommends that RTC resolve loan accounting issues arising from the pilot transactions.

**Resolution Trust Corporation:  
Better Qualified Review Appraisers Needed**

GAO/GGD-92-40BR, Apr. 23 (36 pages).

The Resolution Trust Corporation's (RTC) approach to hiring in-house review appraisers gives field office officials much latitude in selecting the most qualified applicants. Other than a general job description, RTC has no specific hiring criteria for these positions, and applicants need submit only limited supporting data on their appraisal education and experience. GAO discovered that almost 70 percent of RTC's new appraisers do not have enough appraisal experience, a situation that raises concerns about the reasonableness and accuracy of RTC's contract appraisals. GAO makes several recommendations for improving RTC's in-house appraisal review process.

**Resolution Trust Corporation:  
Oversight of Certain Loan Servicers Needs Improvement**

GAO/GGD-92-76, Apr. 24 (10 pages).

Under agreements entered into by failed thrifts, the Resolution Trust Corporation (RTC) relies on thousands of commercial banks, thrifts, and mortgage companies to help service its inventory of mortgages and loans. In December 1991, these institutions—known as inherited third-party servicers—serviced more than 300,000 mortgages and loans, which is more than one-third of RTC's total inventory of mortgages and loans held by thrifts in receivership. These servicers are to collect and remit to RTC millions of dollars in principal and interest payments each month. GAO concludes that the lack of oversight of inherited servicers could jeopardize RTC's recovery of asset values by decreasing loan collections and reducing the market value of loan portfolios. Also, without evaluating servicer

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performance, RTC cannot identify and take action against servicers that are not performing satisfactorily.

**Securities Firms:  
Assessing the Need to Regulate Additional Financial Activities**

GAO/GGD-92-70, Apr. 21 (93 pages).

The 1980s were boon years for the securities industry. Securities firms diversified domestically, increased business abroad, and in some cases sold out to large conglomerates like Sears. Many of the financial activities of these firms now take place outside the traditional framework of state and federal regulation. While these activities are increasing, little is known about their total size and scope or about the risks they pose to customers and other groups. This report examines the organization and regulatory structure of large U.S. securities firms to identify whether regulatory gaps exist that might affect U.S. investors and the financial system. GAO also looks at whether different regulatory approaches to bank holding companies and foreign securities firms might be applicable to U.S. securities firms.

**Failed Thrift:  
Lengthy Government Control of Sunbelt Savings Bank**

GAO/GGD-92-82, Apr. 28 (28 pages).

Sunbelt Savings Bank was created in August 1988 when the Federal Home Loan Bank Board consolidated eight failed Texas thrifts, and it has been under federal control ever since. This lengthy period of federal operation is traceable to (1) a lack of funding to liquidate Sunbelt before passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; (2) transfers of responsibility and staff from the Federal Savings and Loan Insurance Corporation (FSLIC) to the Federal Deposit Insurance Corporation (FDIC); and (3) a belief by agency officials that Sunbelt's management was competent and would not significantly increase the ultimate resolution costs. GAO cannot determine how much money the government might have saved or lost by not resolving Sunbelt earlier because the necessary data are not yet available. Some of the costs of running Sunbelt could have been avoided, however. Most significantly, the money Sunbelt borrowed to help fund its liquidity needs cost the government about \$53 million more than if it had been borrowed from the Department of the Treasury. Further, expenses authorized by FSLIC and

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FDIC to operate and improve Sunbelt as a going concern in anticipation of selling it as a whole thrift may not be fully recovered.

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## Financial Management

### **Obligations Limitation: Resolution Trust Corporation's Compliance as of March 31, 1991**

GAO/AFMD-92-39, Mar. 11 (19 pages).

This quarterly report discusses the Resolution Trust Corporation's (RTC) compliance with the maximum obligations limit set forth in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. That legislation established a formula for calculating the maximum allowable obligations outstanding and provided \$50 billion in financing to resolve troubled savings and loans placed in conservatorship or receivership from January 1989 to August 1992.

### **House of Representatives: Cash Management at the House Post Office**

GAO/AFMD-92-55R, Apr. 2 (three pages).

As a result of its unannounced cash count at the House of Representatives Post Office in March 1992, GAO concludes that current post office management may be lacking the skills needed to conduct the financial aspects of daily postal operations. In addition, management and internal controls to minimize the risk of loss are lacking and existing controls are not working properly. Although it found some cash shortages and overages in several drawers, GAO could not complete its cash count and reconciliation because it could not determine how much one key Post Office official was accountable for and because a key for one cash drawer was unavailable. Among other things, GAO discovered an unopened pack of 100 blank money orders in an unlocked safe with the keys in the lock. One employee had commingled Post Office funds with personal money, creating the possibility of concealed shortages. Moreover, an independent review of clerks' daily activity and cash balances, a basic management control, had not been done during the past five working days.

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**Employee Benefits:  
Improved Plan Reporting and CPA Audits Can Increase Protection  
Under ERISA**

GAO/AFMD-92-14, Apr. 9 (74 pages).

The Department of Labor's Office of Inspector General revealed in November 1989 that it had uncovered major deficiencies in audits of private employee benefit plans, raising concerns about how well American workers are being protected. More than one-third of the 25 plan audits GAO reviewed had weaknesses so serious that their reliability and usefulness were questionable. In some cases, the auditors failed to adequately test investments amounting to millions of dollars or to test the appropriateness of millions of dollars in payments to insurance companies. To protect the interests of plan participants, legislation is needed to (1) eliminate limited scope audits, (2) require reports by plan administrators and auditors on internal controls, (3) require reporting by auditors of fraud and serious ERISA violations, and (4) require peer review of auditors conducting plan audits.

**Federal Research:  
Assessment of the Financial Audit for SEMATECH's Activities in 1990**

GAO/RCED-92-97, Apr. 9 (16 pages).

In this third annual audit of the financial statements of SEMATECH, Inc., a consortium of U.S. semiconductor manufacturers and the Defense Department (DOD), GAO concludes that Price Waterhouse's opinion on SEMATECH's 1990 financial statements and its reports on internal control structure and compliance with laws and regulations should be reliable. While it has incorporated GAO recommendations in its 1990 financial statements, SEMATECH did not disclose postemployment payments to its former chief operating officer as GAO had suggested. An earlier GAO report found that at least two of SEMATECH's member companies had included part of their SEMATECH contributions for reimbursement as overhead costs on government contracts they held, a practice that indirectly boosts the federal government's overall outlay for SEMATECH's research and development activities. One of these companies has changed its accounting practices so that its SEMATECH contributions are now primarily expensed against profits from its commercial business. SEMATECH retains larger on-hand balances of government funds than it needs to meet normal operating expenses, reimbursing interest earned on these cash balances to



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the U.S. Treasury. If DOD continues to fund SEMATECH activities or participate in other joint industry-government consortia, it should disperse funds through a letter of credit rather than by advance payments to the consortium.

**Financial Audit:**

**Northeast-Midwest Congressional Coalition Financial Statements for 1990 and 1989**

GAO/AFMD-92-44, Apr. 9 (14 pages).

GAO audited the balance sheets of the Northeast-Midwest Congressional Coalition for 1990 and 1989 and the related statements of operations and fund balances for those years. Sponsored by several Members of Congress who pool their resources to pursue common legislative goals, the Coalition is a legislative service that (1) informs its members about regional implications of national policies and proposals and (2) seeks to influence Congress on issues of great importance to northeastern and midwestern states. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the coalition for 1990 and 1989 and the results of its operations and cash flows for those years. The District of Columbia, however, is reevaluating its position that the salaries of some Coalition employees are exempt from D.C. unemployment compensation taxes. Because the District has not made a final decision on the Coalition's liability, no provision for any possible liability appears in the financial statements.

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**Testimony**

Financial Management: BIA Has Made Limited Progress in Reconciling Indian Trust Fund Accounts and Developing a Strategic Plan, by Jeffrey C. Steinhoff, Director of Civil Audits, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations.

GAO/T-AFMD-92-6, Apr. 2 (16 pages).

The Bureau of Indian Affairs (BIA) manages trust funds for hundreds of thousands of individual Indians and tribes. At the end of fiscal year 1991, cumulative account balances totaled nearly \$2 billion as a result of payments from claims; oil, gas, and mineral royalties; land use agreements; investment income; and other sources. BIA's trust fund reconciliation project, which began last summer, seeks to identify correct account balances for Indian accounts using source documents to reconstruct trust account transactions so that account holders are provided as accurate an

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accounting as possible. Because many accounts are between 50 and 100 years old, however, the lack of supporting documentation presents a major obstacle. This testimony examines BIA's progress in reconciling the Indian trust fund accounts and developing a strategic plan for trust fund financial management improvement.

**Financial Management: Defense Business Operations Fund Implementation Status**, by Donald H. Chapin, Assistant Comptroller General for Accounting and Financial Management, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-AFMD-92-8, Apr. 30 (26 pages).

GAO and the Defense Department (DOD) fully agree that the concepts and goals of the Defense Business Operations Fund are worthwhile. Applying businesslike management practices should substantially improve DOD's \$81 billion operations under the Fund. Achieving these benefits will be difficult and time consuming, however. A favorable outcome is by no means certain. DOD must adopt workable policies that are fully consistent with businesslike practices. Existing systems used to manage and control resources must be substantially upgraded and effective new systems developed and implemented. If these steps are not taken quickly, the business concepts of the Fund may be discredited, jeopardizing this fundamental change in DOD management. Further, the sooner these steps are taken, the sooner the cost-saving potential of the Fund will be realized. In GAO's view, progress to date has been slow. Key policies and systems have not been developed as rapidly as they should have been. At this point, DOD top management needs to ensure that enough expertise and resources are being applied and that the efforts of the organizations involved are properly supported and coordinated.

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## Government Operations

### **Workplace Accommodation: EPA's Alternative Workspace Process Requires Greater Managerial Oversight**

GAO/GGD-92-53, Mar. 18 (16 pages).

This report discusses the Environmental Protection Agency's (EPA) decision to allow one of its headquarters employers to work in her home rather than in her assigned office workspace. Believing that the EPA office environment caused her health problems, this employee had asked to be allowed to work in another location. GAO discusses (1) a grievance that this

employee filed because of problems she reportedly experienced while working at home and (2) the adequacy of the internal controls in place for EPA's alternative workspace approval process.

**Foreign Agent Registration:  
Former Federal Officials Representing Foreign Interests Before  
the U.S. Government**

GAO/NSIAD-92-113, Mar. 26 (43 pages).

In updating its 1986 report on lobbyists representing foreign interests (see GAO/NSIAD-86-175BR), GAO identified 82 former high-level federal officials, including Members of Congress, White House officials, congressional staff, and executive agency officials, who left the government between fiscal years 1986 and 1991 and later represented foreign interests before the U.S. government. GAO could not determine whether the lobbyists' activities on behalf of their foreign clients violated any conflict-of-interest laws. The Justice Department has responded to GAO's previous recommendations that it (1) seek legislative authority for additional measures to enforce compliance with foreign agent registration, (2) improve reporting guidance to agents, (3) survey user concerns, and (4) inspect the activities of certain kinds of agents. The Justice Department, however, has not fully implemented some recommendations.

**Construction Contracts:  
Individual Sureties Had No Defaults on Fiscal Year 1991 Contracts**

GAO/GGD-92-69, Apr. 1 (10 pages).

This report examines the extent to which contractors used individual sureties to meet bonding requirements on federal contracts and the default rate for such contracts awarded during fiscal year 1991. Bonding is a guarantee of the performance of a contract or other obligation, while a surety refers to a company or person responsible for the obligation in the event of a bond default. GAO discusses the percentage of (1) construction contracts for which individual sureties were used to meet bonding requirements, (2) total defaults by contractors using individual sureties, (3) individual sureties that defaulted on their obligations, and (4) contracts awarded to minority business enterprises for which individual sureties were used to meet bonding requirements.

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**American Samoa:  
Inadequate Management and Oversight Contribute to Financial  
Problems**

GAO/NSIAD-92-64, Apr. 7 (92 pages).

The financial condition of the American Samoa government deteriorated rapidly in the latter half of the 1980s. By fiscal year 1991, the government was experiencing severe cash flow problems and was having trouble making payments. The financial situation worsened despite substantial growth in local revenues since 1980. Corporate tax revenues have been hard to predict, and a considerable portion of personal and business income taxes has never been collected. The main reason for this situation is the territorial government's poor financial management practices. Efforts by the Department of the Interior to improve these practices have been unsuccessful. American Samoa has not fully complied with conditions attached to the operating assistance it receives, and Interior's compliance enforcement has been lax. In addition, American Samoa has been slow to respond to recommendations by Interior's Office of the Inspector General.

**Federal Workforce:  
Agencies' Procurements of Private Health Club Services**

GAO/GGD-92-66, Apr. 7 (50 pages).

It is generally recognized throughout the government that good health can improve performance and productivity. Federal agencies' policies on purchasing private health club memberships for employees vary widely, however, ranging from limiting memberships to people with medical needs to providing membership to anyone. Some agencies pick up the full cost, while others require an employee contribution. Although such diverse policies and practices are not surprising given the broad discretion agencies have, it suggests the need for further guidance. Many agencies seem concerned about whether they are using appropriate practices and policies. GAO believes that the Office of Personnel Management (OPM) should take the lead in providing such guidance. GAO is also concerned about the use of administrative leave when employees use physical fitness centers. At many agencies, administrative leave can be routinely used for an indefinite period when employees go to a gym. GAO believes this practice could be expensive, potentially costing the taxpayers hundreds of million of dollars. Proposed changes to OPM guidance stress that use of

administrative leave for fitness activities should be limited, involving only brief, specific periods. GAO plans to review OPM's final guidance on this issue and will decide then whether recommendations are needed.

**Military Aircraft:  
Travel by Selected Executive Branch Officials**

GAO/AFMD-92-51, Apr. 7 (65 pages).

GAO reviewed more than 200 trips that 11 executive branch officials took on military aircraft between January 1989 and March 1991 that sometimes mixed official, political, and personal business. This report (1) discusses the extent of travel by the officials on military aircraft, (2) identifies the policies governing that travel, (3) discusses compliance with travel policies, and (4) identifies the operating costs of military aircraft used for political and personal travel. GAO found that 10 of the officials generally followed the travel regulation. The former White House Chief of Staff, however, often traveled without obtaining required authorization; in addition, the travel classification was ultimately changed for 21 of his trips, resulting in a reimbursement to the government of more than \$5,000. The White House has since taken several steps to strengthen controls over travel. The Secretary of State, on the other hand, was not initially billed for three trips that mixed official and personal business. As a result of GAO's review, the government was reimbursed about \$2,300, and the Secretary of State now flies commercial aircraft for personal domestic travel. For the 35 solely political and personal trips on military aircraft for which the official was the primary traveler, the estimated cost exceeded \$750,000; reimbursements for this travel totaled about \$61,500.

**Military Aircraft:  
Policies on Government Officials' Use of 89th Military Airlift Wing Aircraft**

GAO/NSIAD-92-133, Apr. 9 (39 pages).

The Air Force's 89th Military Airlift Wing is on constant call to fly the President, the Vice President, and other U.S. and foreign officials. The policies and procedures under which high-ranking government executives and legislators use military planes for "official business" are so broad and vague that almost any travel can be justified at taxpayers' expense. While government regulations allow the use of government aircraft only when it is cost effective or when commercial flights are unavailable, traveling

dignitaries rarely seem concerned about cost when using the 89th Wing. Aircraft use is free of charge to all but a few individuals, and no one independently verifies compliance with the policies. GAO believes that the policies should clearly state that these aircraft should be used only on an exception basis and that documented justification should be available to show that each use was appropriate. GAO summarized this report and the preceding one (GAO/AFMD-92-51) in testimony before Congress; see:

Military Aircraft: Travel on 89th Military Airlift Wing and Travel by Selected Officials, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service. GAO/T-NSIAD-92-35, Apr. 30 (17 pages).

**The Changing Workforce:  
Comparison of Federal and Nonfederal Work/Family Programs and Approaches**

GAO/GGD-92-84, Apr. 23 (121 pages).

The tremendous growth in the number of women in the nation's workforce in recent decades has dramatically affected both government and private-sector employment. Most husbands and wives now work, so many families with children or elderly parents no longer have a caregiver at home during working hours. Yet traditional human resources policies are ill equipped to help workers balance work and family responsibilities. For example, federal employees are now prohibited from using any of their sick leave to care for parents with Alzheimer's disease. GAO found that nonfederal employers generally approach work/family issues strategically, establishing work/family offices or positions and forging their programs into an integrated support system designed to improve recruitment, retention, and productivity. In contrast, while individual federal agencies have undertaken work/family initiatives, no governmentwide work/family strategy exists. The federal government offers many of the same kinds of work/family programs found in the private sector, but the federal programs are often not as family supportive or fully utilized as they could be. Some programs are unavailable to federal workers. The primary barriers to such programs are cost, a lack of statutory or regulatory authority, and concerns about their appropriateness for federal employees. Nonfederal officials offered many suggestions on how to assess the need for and implement work/family programs.

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## Testimony

DOD Rental Payments to GSA, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-GGD-92-31, Apr. 8 (seven pages).

The disrepair of the Pentagon and a mere one-percent decrease in Defense Department rent payments to the General Services Administration (GSA) during a period of downsizing are classic examples of structural and managerial weaknesses plaguing the Federal Building Fund, GSA's method of financing federal facilities. The growing realization that the Fund has failed to live up to expectations has resulted in gradual withdrawal of support for the concept. Not only has the Pentagon been removed from GSA's custody, but Congress has authorized other agencies like the Securities and Exchange Commission to renovate or lease their own buildings and may remove several hundred courthouses from the Fund as well. In addition, legislation has been introduced recently that would abolish the Federal Building Fund and return the financing of all of GSA's building operating and capital costs to their regular appropriations process.

GSA's Energy Conservation Efforts, by Gerald Stankosky, Assistant Director for Government Business Operations Issues, before the Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation. GAO/T-GGD-92-32, Apr. 8 (three pages).

By 1995, the Federal Energy Management Improvement Act requires that all federal agencies, including the General Services Administration (GSA), cut their energy usage 10 percent from 1985 levels. GAO testified that while it is too soon to know whether GSA will achieve the required 10-percent reduction by 1995, the agency appears to be making a concerted effort to cut energy consumption. Two main obstacles confront GSA's energy-saving efforts. First, GSA has already completed many of the most obvious and cost-effective energy-saving measures, and the energy-saving opportunities remaining are generally more expensive and will yield lower savings. Second, changes in building and tenant operations, such as increased use of personal computers and flexible work schedules, have increased agency energy demands. GAO also testified that funding and budgetary limitations impede needed capital investment in new and existing buildings, so that energy-saving investments are now competing with other pressing building needs.

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Personnel Practices: Details of Schedule C Employees to the White House, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service. GAO/T-GGD-92-28, Apr. 9 (nine pages).

GAO issued three reports from 1987 to 1990 concluding that federal agencies were using Schedule C appointment authority to hire employees exclusively for details to the White House. GAO continues to believe that this practice is inappropriate and has recommended that the Office of Personnel Management (OPM) (1) issue regulations prohibiting the detailing of Schedule C hires within 90 days of their appointment and (2) require agencies to certify in their applications that Schedule C positions are not being established solely for or primarily for details. Because OPM disagrees with these recommendations, GAO suggests that legislation is needed.

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## Health

### **FDA Regulations: Sustained Management Attention Needed to Improve Timely Issuance**

GAO/HRD-92-35, Feb. 21 (25 pages).

Over the years, the Food and Drug Administration (FDA) has experienced major delays in developing and publishing regulations. For example, of 301 regulations published as proposed rules to obtain public comment as of April 1991, 217 had been pending for more than five years; two had been pending for 29 years. In GAO's view, FDA's ability to effectively address public health problems and enforce compliance with federal law is being jeopardized. Because FDA's management of regulation development and issuance has been generally ineffective, GAO supports the agency's establishment of a regulations council to oversee and direct management of the rulemaking process. GAO also believes that a single automated tracking system encompassing agencywide regulation activities is needed to improve management's oversight of the rulemaking process. GAO summarized this report in testimony before Congress; see:

FDA Regulations: Sustained Management Attention Needed to Improve Timely Issuance, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-92-19, Apr. 1 (14 pages).



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**Long-Term Care Insurance:  
Better Controls Needed in Sales to People With Limited Financial  
Resources**

GAO/HRD-92-66, Mar. 27 (18 pages).

Among the eight insurance companies it reviewed, GAO found that except for Medicaid recipients, companies are doing little to prevent the sale of long-term care insurance to low-income people. While company officials said that their policy is to avoid selling such insurance to low-income individuals, this policy is not always in writing, and companies' actual practices are hard to determine. Despite their stated intentions, the companies have few controls over such sales. Most of the companies' training materials are vague or silent about whether an insurance agent should consider a consumer's income and assets when selling long-term care insurance. In addition, companies do not monitor whether agents sell this insurance to low-income people. Substantial agent commissions could spur policy sales to people who do not need such insurance. Marketing materials from half of the companies do not caution consumers to consider whether long-term care insurance is appropriate, given their particular income and assets.

**FDA Premarket Approval:  
Process of Approving Ansaid as a Drug**

GAO/HRD-92-85, Apr. 7 (10 pages).

Ansaid, a nonsteroidal anti-inflammatory drug marketed by The Upjohn Company since 1989, is mainly used to treat arthritis. Although Upjohn applied to the Food and Drug Administration (FDA) in 1982 to sell Ansaid, premarket approval was not granted until 1989. Upjohn argues that the 79-month approval period was excessive, citing an average approval time of 26 months for similar drugs. GAO found that during that period, FDA faced the unusual situation of having to deal with several different nonsteroidal, anti-inflammatory drugs to which people were having severe reactions. Upjohn's claim that unwarranted delays plagued the approval of Ansaid is probably strongest with respect to the two-year period from May 1984 to May 1986. However, FDA maintains that during this time it was approving other drugs and taking the time it believed was necessary to ensure the safety of nonsteroidal, anti-inflammatory drugs, including Ansaid.

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**Health Reports:  
November 1991 Through February 1992**

GAO/HRD-92-84, Apr. 1992 (29 pages).

This publication lists titles of GAO reports and testimonies issued during the past two years. These documents are organized according to subject categories ranging from drug treatment to long-term care. An order form is provided to obtain reports and testimony that are of interest.

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**Testimony**

Diabetes: Status of the Disease Among American Indians, Blacks, and Hispanics, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the House Select Committee on Aging. GAO/T-PEMD-92-7, Apr. 6 (25 pages).

While data is limited on the incidence of diabetes among minorities, the disease seems to be more prevalent among American Indians, blacks, and Hispanics than among whites. Certain environmental and lifestyle factors appear to trigger diabetes in genetically susceptible individuals, although it is unclear whether the natural history of the disease is the same or different across different population groups—a major shortcoming in existing research. Slightly more than half of all funds for diabetes research are targeted to minorities, but only a tiny fraction of all diabetes funding goes to studying prevention/behavioral and clinical research. Further, the National Institutes of Health (NIH) data base cannot be used to determine the actual level of resources devoted to minority diabetes, and NIH makes no effort to collect information on the race of people donating cells for basic research.

Nonprescription Drugs: Over the Counter and Underemphasized, by Kwai-Cheung Chan, Director of Program Evaluation in Physical Systems Areas, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-PEMD-92-5, Apr. 8 (12 pages); and

Over-the-Counter Drugs: Gaps and Potential Vulnerabilities in the Regulatory System, by Kwai-Cheung Chan, Director of Program Evaluation in Physical Systems Areas, before the Subcommittee on Regulation, Business Opportunities and Energy, House Committee on Small Business. GAO/T-PEMD-92-8, Apr. 28 (seven pages).

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While over-the-counter drugs are a common part of daily life, not all such drugs that reach the marketplace are safe or effective. GAO testified that (1) unlike prescription drugs, many over-the-counter drugs have not been proven safe or effective before being made publicly available; (2) the Food and Drug Administration (FDA) has statutory authority to inspect records and documents of prescription drug manufacturers, but not those of over-the-counter manufacturers; and (3) FDA collects less postmarketing surveillance information and conducts less product performance analysis for over-the-counter drugs than for prescription drugs.

Medicaid: Factors to Consider in Expanding Managed Care Programs, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Health for Families and the Uninsured, Senate Committee on Finance. GAO/T-HRD-92-26, Apr. 10 (nine pages).

“Managed care,” widely used in private-sector health care, refers to a health care delivery system with a single point of entry: A primary physician typically provides basic care and decides when a referral to a specialist or admission to a hospital is necessary. GAO testified that managed care in state Medicaid programs could improve access to quality health care. Because of the financial incentives of such programs and the vulnerability of Medicaid recipients, however, GAO cautions that safeguards must be instituted to adequately protect patients. These safeguards include a quality assurance system that requires client satisfaction and disenrollment surveys; a grievance procedure; and an outside, independent review of medical records. Further, states need to monitor (1) the financial arrangements between the contracting plan and its providers to spot excessive incentives to deny necessary services, (2) utilization data to determine if appropriate levels of service are being delivered, and (3) subcontractors in the same manner as contractors because the same problems can arise. Finally, effective state and federal oversight is needed along with prompt corrective actions when problems are discovered.

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## Housing

### **Public and Assisted Housing: Linking Housing and Supportive Services to Promote Self-Sufficiency**

GAO/RCED-92-142BR, Apr. 1 (43 pages).

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This report discusses the implications of linking federal housing assistance to supportive services to promote self-sufficiency for low income families. The Family Self-Sufficiency Program has been established within the Department of Housing and Urban Development (HUD) to promote local strategies for helping low income families achieve greater self-sufficiency. GAO concludes that several factors will affect the evaluation and administration of the program. First, requiring public housing agencies (PHA) to report how many program participants have relinquished housing assistance and what alternatives to assisted housing they have found will permit meaningful and consistent assessments of the program's progress. Second, it is too early to tell whether HUD's proposed prohibition against the use of motivation as a factor in selecting program participants will affect how PHAs run their programs—including their ability to obtain needed support services. Finally, only limited data are available to determine the extent to which HUD's reimbursement of PHAs' administrative costs will cover the reasonable expenses that PHAs' incur in running effective programs.

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## Testimony

Mortgage Credit Enhancements: Options for FHA in Meeting the Need for Affordable Multifamily Housing, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-92-52, Apr. 3 (33 pages).

Mortgage credit enhancements—financing arrangements to ensure loan repayments by builders of multifamily rental properties—are among a broad range of mechanisms that the Federal Housing Administration (FHA) can use to expand the supply of affordable housing for lower-income tenants. If such enhancements are employed, they must be cost effective in achieving the desired result. Yet ensuring cost effectiveness depends on having accurate data on the costs and risks involved, and information on the performance characteristics of affordable multifamily housing loans is currently nonexistent. GAO suggests that Fannie Mae, Freddie Mac, and FHA—because they now hold large portfolios of multifamily mortgages or insure such mortgages and are also experienced in maintaining relevant large data bases—would be good candidates for developing such information. Further, the bank regulatory agencies, the Federal Housing Finance Board, the Bureau of Economic Analysis, and various professional organizations representing mortgage originators could lend valuable insight in developing a national affordable housing data base.

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## Income Security

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### Testimony

**Social Security Disability: Growing Funding and Administrative Problems**, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Social Security and Family Policy, Senate Committee on Finance. GAO/T-HRD-92-28, Apr. 27 (10 pages).

The Social Security fund that provides benefits to those who are too disabled to work is projected to run out of money by 1997 as the rate of successful claimants increases and movement off the rolls slows, partly because budget constraints have virtually eliminated screening for beneficiaries who no longer meet disability standards. The length of delays by State Disability Determination Services in processing applications for disability benefits is expected to reach seven months in 1993. Appeals of disability determinations already take seven months. This testimony highlights some of the underlying factors, such as rising disability application rates as a result of the recession, that have affected the trust fund situation. GAO also discusses problems with program administration.

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## Information Management

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### **Information Resources: Summary of Federal Agencies' Information Resources Management Problems**

GAO/IMTEC-92-13FS, Feb. 13 (35 pages).

The magnitude and complexity of the federal government's information technology resources—hardware, software, data, and trained individuals—require effective and efficient management. Time and again, however, GAO reports have shown that agencies have problems managing these resources. Massive cost overruns, inaccurate data, and poor system performance are widespread. This fact sheet summarizes the information resources management problems documented in reports issued by the Information Management and Technology Division between October 1988 and May 1991. The management and operational problems described fall into 10 categories, the most common being inadequate management of the information system development life cycle. Other problem areas include an inability to ensure the security and integrity of information systems; the inability of information systems to work together; and data that are inaccurate, unreliable, or incomplete. GAO summarizes the problem

categories by type and frequency and provides examples for each category as well as a list of related reports.

**Automated Information Systems:  
Defense Should Stop Further Development of Duplicative  
Recruiting Systems**

GAO/IMTEC-92-15, Feb. 27 (28 pages).

The Army, Navy, and Air Force have spent more than \$82 million so far to design, operate, and maintain their own automated information systems for military recruiting. These systems, however, perform basically the same tasks. While the Defense Corporate Information Management (CIM) initiative is intended to eliminate such duplication, these systems have not been included in the CIM effort, primarily because recruiting systems were considered a low priority. In developing their separate systems, the services have encountered design and development problems that have caused delays and cost increases. Placing these systems under the CIM umbrella would focus management attention on these problems and help reduce expenditures for these duplicative systems without any measurable reduction in capability.

**IRS Procurement:  
Software Documentation Requirement Did Not Restrict  
Competition**

GAO/IMTEC-92-30, Mar. 2 (11 pages).

The Internal Revenue Service's (IRS) software documentation requirements for the Check Handling Enhancements and Expert System—an automated system for processing tax remittances—were justified and did not improperly restrict competition. IRS has a sound basis for requiring that all software it expects to maintain, including both pre-existing and off-the-shelf software, be documented in accordance with its initial standard. GAO agrees with the agency that it is much easier for IRS programmers to maintain software that is documented according to a single agencywide standard. However, GAO found that IRS has not been explicit in stating this requirement in other requests for proposals. Problems with future procurements could arise if this requirement remains unclear.

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**Tax Systems Modernization:  
IRS Award to MITRE Corporation Violated the Competition in  
Contracting Act**

GAO/IMTEC-92-28, Mar. 12 (16 pages).

The Internal Revenue Service (IRS) violated the Competition in Contracting Act when it awarded a \$4.5 million noncompetitive contract to the MITRE Corporation in May 1990 to help design the Tax Systems Modernization program. The act prohibits agencies from justifying noncompetitive contracts because of a lack of advance planning. In the case of the MITRE award, IRS knew at least as early as February 1989 that the existing contract with MITRE likely would end in April 1990. IRS should have known that planning for Tax Systems Modernization would be disrupted unless it found another way to obtain the engineering services then being provided by MITRE. The agency, however, made no effort to acquire interim engineering services until November 1989, at which time IRS concentrated on justifying a sole-source award to MITRE, despite the existence of at least one other capable firm. The noncompetitive award to MITRE might have been avoided had IRS done timely advance planning.

**Tax Systems Modernization:  
IRS Could Have Avoided Successful Protests of Major Computer  
Procurement**

GAO/IMTEC-92-27, Mar. 13 (19 pages).

The Internal Revenue Service (IRS) cannot successfully direct and control its procurement activities, and some of its recent procurements have run into trouble. GAO reviewed one of these troubled procurements—the Treasury Multi-User Acquisition Contract, which was awarded to AT&T in July 1991 but later successfully protested by IBM and Lockheed. This report examines what IRS (1) did to cause the protests, (2) could have done to avoid the successful protests, and (3) needs to do to prevent similar successful protests of Tax Systems Modernization procurements.

**Department of Education:  
Management Commitment Needed to Improve Information  
Resources Management**

GAO/IMTEC-92-17, Apr. 20 (24 pages).

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It will be difficult, if not impossible, to effectively gauge the success of national efforts to resolve the education crisis as long as the Education Department lacks the information technology needed to provide reliable data for overseeing its operations. Unless information resources management practices improve, particularly in the area of strategic planning, the Department will be unable to use information technology to assess the effectiveness of its programs. As the Department begins linking strategic initiatives to its mission and seeks to address chronic operational problems, the strategic use of information technology needs to be considered.

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## Testimony

Tax Systems Modernization: Progress Mixed in Addressing Critical Success Factors, by Howard G. Rhile, Director of General Government Information Systems Issues, before the Senate Committee on Governmental Affairs. GAO/T-IMTEC-92-13, Apr. 2 (25 pages).

GAO testified last year that eight issues confront the Internal Revenue Service's (IRS) multibillion dollar Tax Systems Modernization program, ranging from improving the procurement process to paying more attention to security and privacy issues. While IRS has made significant progress since then in addressing these critical areas, GAO remains concerned about IRS' planning, technological readiness, and procurement and systems development processes. GAO is also concerned about IRS plans to use cutting edge technology to modernize input processing, especially since the agency has no fallback position should this technology not be ready when needed. Finally, in spite of better management of procurement and systems development processes, problems continue. For example, IRS missed opportunities to head off successful protests of its \$1.4 billion Treasury Multi-User Acquisition Contract procurement. Ultimately, the success or failure of modernization will rest on a commitment to the program by IRS top management, including following through and making sure that each of the eight critical success factors is addressed.

Geographic Information System: Forest Service Has Resolved GAO Concerns About Its Proposed Nationwide System, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-IMTEC-92-14, Apr. 28 (nine pages).



The Forest Service plans to acquire a geographic information system to store, retrieve, and analyze spatially referenced information—data associated with the nearly 200 million acres of national forests and grasslands that the Service manages. The Forest Service has revised its plans to better define its needs and has substantially reduced the risks associated with such a large-scale acquisition of information technology. With the help of MITRE corporation, the Forest Service has revised its analyses to provide a much more complete picture of the information-processing alternatives, activities, requirements, benefits, and costs. While every large-scale information system acquisition entails risk, the Forest Service has successfully reduced unnecessary risks previously associated with the project.

Tax Systems Modernization: Input Processing Strategy Is Risky and Lacks a Sound Analytical Basis, by Howard G. Rhile, Director of General Government Information Systems Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-IMTEC-92-15, Apr. 29 (17 pages).

The Internal Revenue Service's (IRS) input processing strategy—intended to allow the agency to drastically reduce the manual processes associated with handling paper income tax returns, tax payments, information returns, and correspondence—appears to be a high-tech, high-risk venture for which IRS has yet to do the homework to justify committing nearly \$3 billion. Further, IRS plans to spend more than \$130 million on an input processing system, the Service Center Recognition/Image Processing System, that duplicates many functions done by the Document Processing System. GAO recommends that IRS do the appropriate analyses to justify proceeding with its input processing strategy. GAO also recommends that the agency sort out the overlapping functions planned for the two tax return imaging projects to decide the extent to which both systems will be needed.

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## International Affairs

### **Foreign Assistance: A Profile of the Agency for International Development**

GAO/NSIAD-92-148, Apr. 3 (47 pages).

The Agency for International Development (AID) is highly decentralized, with a headquarters in Washington, D.C., and missions in more than 70 countries. AID reorganized its Washington headquarters in 1991 to

streamline and improve agency management. This move did not, however, directly affect the agency's overseas operations, which have remained essentially unchanged since AID was founded 30 years ago. In fiscal year 1990, AID activities consumed about 38 percent (\$7.5 billion) of the U.S. international affairs budget. AID does not have total control over these funds, however. In fiscal year 1990, for example, it directly transferred \$1.2 billion to Israel. The agency had about 1,600 active projects in fiscal year 1990, most of which were run by AID's overseas missions; AID obligated \$6.1 billion for project and program expenses that year. At the start of fiscal year 1990, AID had \$8.3 billion in funds obligated in earlier years but unspent. AID employees are a mix of U.S. and foreign national direct hires and personal services contractors. About 10,000 individuals not directly employed by AID also perform a wide range of services for the agency. More than two-thirds of AID's overseas work-years (about 7,000) in fiscal year 1990 were expended by U.S. and foreign national personal services contractors, who are not separately identified and reported to Congress.

**Foreign Assistance:**

**Evaluation of Aid to the Hungarian National Assembly**

GAO/PEMD-92-13, Apr. 29 (17 pages).

A congressional task force was created in April 1990 to help build more effective national legislatures in Central and Eastern Europe. This task force is responsible for providing direct assistance to the parliaments of these emerging democracies. This report evaluates a program of parliamentary training and technical assistance to the Hungarian National Assembly. The Agency for International Development is funding this project, which is being run in Budapest by the State University of New York at Albany.

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**Testimony**

U.S. Department of Agriculture: Improved Management Could Increase the Effectiveness of Export Promotion Activities, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations. GAO/T-GGD-92-30, Apr. 7 (23 pages).

This testimony examines the effectiveness of three U.S. Department of Agriculture export promotion activities: the market promotion program, overseas agricultural trade offices, and the trade show program. GAO

concludes that governmentwide export promotion programs are not linked to an overall strategy or set of national priorities. Taxpayers, therefore, have no assurance that funds are being used to promote products in markets that will generate the highest potential returns.

Refugees: U.S. Processing of Haitian Asylum Seekers, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-92-25, Apr. 9 (nine pages).

The Coast Guard intercepted more than 18,000 Haitians in the wake of the April 1992 military coup. Although more than 10,000 Haitians were returned to Port au Prince, GAO estimates that about 2,500 arrived at Guantanamo Bay in Cuba to await transport to the United States. The Guantanamo Bay facility—a collection of tents erected on an old aircraft runway—is subject to extreme heat during the summer, and at times the water being piped in is virtually undrinkable. It is doubtful whether these temporary facilities could withstand the hurricanes that sometimes hit Cuba. While the Immigration and Naturalization Service's (INS) interviewing and screening procedures at Guantanamo Bay appear to be sound, GAO discovered weaknesses in the administrative procedures that follow the interviews, including many errors in the INS data base used to process individuals for return to Haiti or on to the United States. Due to these weaknesses, at least 54 Haitians were mistakenly repatriated and at least seven others returned voluntarily, never knowing that their claims had been deemed credible and they were free to travel to the United States to have their cases heard. GAO also found that at least 50 Haitians lacking credible claims were mistakenly sent to the United States. Despite the involvement of several federal agencies at Guantanamo Bay, no designated lead agency ever assumed responsibility for facility operations. Since March 1992, interdicted Haitians have been screened aboard Coast Guard cutters, a practice that may prove inadequate should another massive influx take place. Given problems in living conditions and shipboard screening procedures, GAO testified that contingency planning by U.S. agencies is urgently needed to handle a possible resurgence of Haitian refugees.

International Procurement: NATO Allies' Implementation of Reciprocal Defense Agreements, by Joseph E. Kelley, Director of Security and International Relations Issues, before the Subcommittee on Investigations, House Committee on Armed Services. GAO/T-NSIAD-92-29, Apr. 29 (11 pages).

This testimony looks at how eight European NATO allies—Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain, and the United Kingdom—are implementing their reciprocal defense procurement memorandums of understanding with the United States. These agreements are intended to enhance alliance-wide military readiness by promoting rationalization, standardization, and interoperability of military equipment. The agreements also seek to promote competitive opportunities for the signatories' defense industries and reduce barriers like buy-national laws and tariffs. While the trade ratio for defense exports favored the United States by about eight to one in the late 1970s, that ratio had shrunk to two to one by the mid-1980s. GAO discusses (1) how the United States and the allies view and implement the memorandums of understanding, (2) whether the agreements provide opportunities for U.S. firms to compete freely and fairly in allied defense markets, (3) how allied governments' tariff practices affect contract selections, (4) allied contract-award grievance procedures, and (5) Defense Department efforts to monitor the memorandums of understanding.

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## Justice and Law Enforcement

### Money Laundering:

#### Treasury Civil Case Processing of Bank Secrecy Act Violations

GAO/GGD-92-46, Feb. 6 (29 pages).

Historically, the Department of the Treasury's Office of Financial Enforcement has not processed Bank Secrecy Act civil penalty cases in a timely manner. GAO found that the Office has allowed cases to remain inactive for months, causing some cases to be closed because the statute of limitations had expired. Overall, data from the Office revealed declining numbers of referrals and penalties assessed between 1985 and 1991; however, GAO could not determine the cause of this decline. Case processing times averaged 21 months and ranged from four days to more than six years, processing times that officials of other federal agencies characterized as excessive. In the past, staff shortages and inadequate case management contributed to delays in processing civil penalty cases. The Office did not have systems in place to ensure that decisions had been reached, recommendations acted upon, and requested information received or followed up on. The Office has recently added staff and taken steps to improve case management.

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Testimony

IRCA-Related Discrimination: Actions Have Been Taken to Address IRCA-Related Discrimination, but More Is Needed, by Lowell Dodge, Director of Administration of Justice Issues, before the Subcommittee on Immigration and Refugee Affairs, Senate Committee on the Judiciary. GAO/T-GGD-92-21, Apr. 3 (14 pages).

Recent legislative changes should help address discrimination arising from the Immigration Reform and Control Act of 1986 (IRCA). To significantly reduce discrimination, however, GAO believes that employers need to be educated, the number of work eligibility documents reduced, and regional offices established to greater emphasize antidiscrimination enforcement. During the past two years, the Departments of Justice and Labor have spent substantial time and money educating employers. Despite these efforts, the number of work eligibility documents remain the same, and regional offices have not been established to help carry out antidiscrimination enforcement for the Office of Special Counsel for Immigration-Related Unfair Employment Practices.

U.S. Customs Service: Concerns About Coordination and Inspection Staffing on the Southwest Border, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Senate Committee on Finance. GAO/T-GGD-92-29, Apr. 8 (16 pages).

Efficient border operations require coordination among several entities, including U.S. agencies, state and local governments, and Mexico. Poor coordination in the past has led to staffing imbalances between the U.S. Customs Service and the Immigration and Naturalization Service and to too few inspector staff at existing and planned facilities. This testimony focuses on (1) coordination in border management and planning efforts and (2) the U.S. Customs Service's current and anticipated staffing requirements along the southwest border.

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National Defense,  
Security, and Military  
Procurement

**Operation Desert Storm:  
Apache Helicopter Was Considered Effective in Combat, but  
Reliability Problems Persist**

GAO/NSIAD-92-146, Apr. 20 (42 pages).

The Apache—the Army's \$14 million premier attack helicopter—received its first real test under combat conditions during the Persian Gulf war. In past reports, GAO highlighted reliability and logistical support problems

with the Apache that could hinder the helicopter's effectiveness during actual combat. In the view of Apache pilots and commanders GAO interviewed, however, the Apache proved its effectiveness by destroying 278 tanks and about 900 other targets and by providing the Army with timely intelligence data. The Apache flew mostly armed reconnaissance missions during the air campaign, while during the 100-hour ground war, it flew mostly attack missions, its primary role. The Apache flew only a few missions during the war—a total of 83—mainly because of the perceived enemy threat to low-flying helicopters during the air campaign and because ground commanders opted against using the Apache more often. The Apache's key weapons and other vital subsystems did experience reliability problems, which were intensified by the harsh desert environment. Logistical problems, such as parts shortages, also arose, grounding some Apache aircraft. Nevertheless, Apache pilots and commanders said that the Apache completed all assigned missions.

**Operation Desert Storm:  
Increased Work Loads at Army Depots Created Supply Backlogs**

GAO/NSIAD-92-152, Apr. 10 (20 pages).

Operations Desert Shield and Desert Storm represent the largest U.S. military deployment since the Vietnam War. During the Gulf War, the Army moved more than 519,000 tons of supplies to Southwest Asia, much of which passed through two main depots: the New Cumberland Army Depot and the Red River Army Depot. Concerns have been raised that, despite hundreds of millions of dollars being spent to modernize Army depots, materiel and supplies backlogged during the war. This report looks at (1) how much the New Cumberland and Red River Depots' work loads increased as a result of Operations Desert Shield and Desert Storm, (2) the size of depots' backlogs of received items and items to be shipped, (3) what caused the backlogs, and (4) what lessons have been learned that could be applied to improving logistics operations.

**Naval Aviation:  
Opportunities to Apply A-12 Research, Knowledge, and  
Technologies**

GAO/NSIAD-92-110, Mar. 19 (eight pages).

To replace its aging fleet of A-6 medium attack aircraft, the Navy developed a new plane in the 1980s—the A-12—that incorporates stealth

technology. The Navy made progress payments on A-12 technology and equipment in the possession of contractors that the government had rejected at contract termination. McDonnell Douglas and General Dynamics, members of the A-12 contractor team, had planned to sell these items to outside parties and had transferred some A-12 assets to other government contractors. GAO looked into the ownership and transfer of A-12 assets and Defense Department (DOD) actions to protect the government's investment in these assets. This report discusses DOD's response, other recent actions taken by contractors and DOD, and whether the government's investment in these assets is protected. GAO also points out opportunities the Navy may have to use the technologies and knowledge developed for the A-12 program.

**Defense Force Management:  
Occupation Distribution and Composition**

GAO/NSIAD-92-85, Mar. 23 (45 pages).

This report provides information on the distribution of minorities and women among major occupation groups by race or Hispanic origin and by gender during fiscal year 1990. This information provides a baseline for measuring how minorities and women will be affected, by occupation group, by planned reductions in military strength between fiscal years 1991 and 1995.

**Defense Contracting:  
Interim Report on Mentor-Protégé Program for Small  
Disadvantaged Firms**

GAO/NSIAD-92-135, Mar. 30 (16 pages).

Concerned about the low participation rates of small disadvantaged businesses in the Defense Department's procurement system, Congress passed legislation in 1986 requiring that such firms be awarded five percent of the total dollar amount subcontracted by DOD prime contractors. To provide incentives for prime contractors to increase the participation of small disadvantaged businesses in DOD subcontracting, Congress later created the Mentor-Protégé Pilot Program, under which prime contractors are supposed to help small disadvantaged businesses become better subcontractors and suppliers for DOD and other federal agencies. This report (1) evaluates the regulatory implementation of the program, (2) assesses the initial participation of eligible mentor and

protege firms, (3) identifies any deficiencies in the statutory and regulatory framework of the program that are likely to harm success, and (4) recommends corrections to program impediments.

**Military Training:  
Unexploded Ordnance Found in Lake Michigan**

GAO/NSIAD-92-95, Mar. 31 (15 pages).

The Defense Department has been operating military training ranges over parts of Lake Michigan for more than 30 years. In April 1991, the Police Department in Sheboygan, Wisconsin, was notified of a suspicious-looking object on the shore of Lake Michigan, not far from a busy shopping center; military officials later identified the object as a fully armed, air-to-air Sidewinder missile that fishermen had pulled up in a net and later discarded on the beach. Two months later, an unarmed aircraft rocket was retrieved from Lake Michigan, also near Sheboygan. This report examines various aspects of these incidents, including whether mariners are informed of potential hazards and the adequacy of the responses to the ordnance findings.

**Army Training:  
Army Analysis Overstates Signal Training Costs at Fort Sill**

GAO/NSIAD-92-168, Apr. 1 (six pages).

The Army's decision to relocate signal corps training from Fort Sill, Oklahoma, to Fort Gordon, Georgia, is based largely on an Army cost analysis suggesting that it would be less expensive to conduct the training at Fort Gordon. GAO found, however, that the analysis overstated the cost of conducting signal training at Fort Sill, mainly because the Army combined artillery and final training costs for that locale. Likewise, the Army's analysis indicates a greater increase in base personnel if the training is done at Fort Sill. The Army estimated that Fort Sill would need 63 additional base personnel—almost twice the increase estimated for Fort Gordon. Fort Sill, however, estimated that it would require a maximum of 10 more personnel. Even if Fort Sill's estimate is low, GAO's analysis shows that 47 base personnel could be added before Fort Sill's costs would exceed those of Fort Gordon.



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**Defense Procurement:  
DOD Should Assess Cost Impact of Contractor Teaming  
Arrangements**

GAO/NSIAD-92-15, Apr. 2 (12 pages).

GAO reviewed the use of teaming arrangements among defense contractors in the development phase of four major weapon systems. Primarily because of reductions in the planned production quantities or program termination, three of the four programs did not achieve their original purpose of evolving into two equally qualified sources that could compete for future production contracts for the entire system. The teaming arrangements GAO reviewed contained provisions that could adversely affect future production costs.

**Army Force Structure:  
Personnel, Equipment, and Cost Issues Related to the European  
Drawdown**

GAO/NSIAD-92-200BR, Apr. 9 (25 pages).

While the Army is successfully removing troops from Europe at a rapid pace, the drawdown is contributing to problems at U.S. military installations struggling to assimilate an influx of personnel from domestic base closures and realignments. The European drawdown will ultimately reduce troops, civilians, and installations to about half of their 1989 level. This briefing report (1) determines the status of military and civilian personnel cuts and whether the Army has been able to manage reductions at the pace imposed upon it; (2) identifies the Army's problems in repairing and relocating usable equipment and disposing of excess equipment; (3) determines how the Army is budgeting, accounting for, and covering its costs during the drawdown; and (4) ascertains the impact of force reductions in Europe on U.S. bases and on the quality of life of soldiers returning to the United States. In summarizing this report in testimony before Congress, GAO discussed the difficulties the Army faces in accomplishing this task and the steps it must take to overcome these problems; see:

Army Force Structure: Issues Related to the Drawdown in Europe and Impacts on Soldiers and U.S. Bases, by Richard Davis, Director of Army Issues, before the Subcommittee on Military Personnel and Compensation,

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House Committee on Armed Services. GAO/T-NSIAD-92-28, Apr. 9 (eight pages).

**National Security:  
Perspectives on Worldwide Threats and Implications for U.S.  
Forces**

GAO/NSIAD-92-104, Apr. 16 (57 pages).

**National Security:  
Papers Prepared for GAO Conferences on Worldwide Threats**

GAO/NSIAD-92-104S, Apr. 16 (151 pages).

In October 1991, GAO organized a conference on potential military threats to U.S. security interests and necessary modifications to U.S. forces to meet those threats. Conference participants, including defense analysts and retired military officers, discussed the possibility of U.S. and allied involvement in various regional contingencies around the globe. The first volume summarizes the views of conference participants, who, while acknowledging the diminished threat of the Soviet Union/Warsaw Pact, cautioned that the nuclear weapons held by the former Soviet republics and other nations remain a threat. No consensus was reached on how to downsize U.S. forces. Some proposed sizing on the basis of specific threats, while others argued for flexibility to meet any contingency. Participants also suggested several ways to respond to the changing security environment, including assisting the former Soviet republics with denuclearization, reducing forward-deployed U.S. forces in Europe and the Pacific, increasing U.S. efforts at missile nonproliferation in the Near East, and reforming the organization and control of low-intensity conflict operations. The second volume is a supplement containing papers GAO commissioned from conference participants. These papers were the basis for discussions at the conference.

**Base Closures:  
Long and Costly Process of Reducing the Local National Work  
Force in Germany**

GAO/NSIAD-92-62, Apr. 17 (47 pages).

The United States is withdrawing its forces from Europe due to the diminished Soviet threat. As part of this move, the Army and Air Force

plan to lay off more than 27,000 Germans they employ by the end of 1995. This report (1) identifies the U.S. military's basic severance pay liability according to international agreements, (2) evaluates the potential for other costs increasing that liability, and (3) determines whether the Army and Air Force have enough money to cover these liabilities. GAO recommends that the United States approach the German government about bearing the additional costs of local national termination arising from delays in base closures requested by the German government.

**Military Airlift:  
Status of C-17 Aircraft Development Program**

GAO/NSIAD-92-205BR, Apr. 20 (14 pages).

Costs for the C-17 military transport aircraft program continue to mount, having reached an estimated \$7.45 billion by the end of 1991; the contract ceiling had been set previously at \$6.63 billion. While McDonnell Douglas Corporation has a plan of work to be done with a specified budget, it reports that only \$0.69 of planned work is being accomplished for every \$1.00 the government spends. Further, both aircraft delivery and testing schedules are experiencing delays. McDonnell Douglas program data show that production efficiency is improving with each successive aircraft—meaning that McDonnell Douglas takes fewer production hours to build each aircraft. The rate of improvement, however, has not increased. A McDonnell Douglas production review team said that improvement in the rate would be necessary for the company to meet its cost and schedule objectives. McDonnell Douglas claims that the level of quality on the C-17 program has increased because the dollar value of rework and repair has decreased on each successive aircraft. Yet the cost of rework and repair per assembly hour of labor almost doubled between February 1991 and January 1992. In addition, off-standard work hours, the major component of which is rework and repair, are increasing as a percentage of total hours. GAO agrees that some quality improvements may be occurring, but it believes that McDonnell Douglas has not considered the effect of the improved production efficiency on reducing rework and repair costs.

**Weapons Codevelopment:  
U.S. National Issues in the MLRS Terminal Guidance Warhead Program**

GAO/NSIAD-92-55, Apr. 21 (27 pages).

GAO reviewed the Army's Multiple Launch Rocket System Terminal Guidance Warhead program to determine how U.S. national interests are being protected. The program is a multinational cooperative development effort begun under a 1983 Memorandum of Understanding signed by the United States, France, Germany, and the United Kingdom. This report discusses the provisions of the Memorandum of Understanding and other arrangements on cost share/work share, technology transfer, data rights, termination provisions, financial arrangements, and third-country transfers. Some of these factors should be considered in deciding whether to continue the program and in negotiating future Memorandums of Understanding.

**Army Acquisition:  
Palletized Load System Acquisition Quantity Overstated**

GAO/NSIAD-92-163, Apr. 22 (10 pages).

GAO reviewed the Army's acquisition of a new ammunition supply vehicle—the Palletized Load System. Consisting of a truck trailer with a demountable cargo bed, the vehicle will be used to move ammunition to and from transfer points. The Army has reduced the vehicle's acquisition quantity to reflect the approved force structure reduction from 28 to 20 divisions. Yet the requirements are still predicated on outdated threat assumptions that envisioned warfare against the Soviet-Warsaw Pact in Central Europe. With regional conflicts now considered the more serious threat to the United States, requirements for the vehicle may decline further. While acquisition quantities for the vehicle have been adjusted to reflect approved force structure reductions, it includes 450 trucks, 30 trailers, and 2,480 demountable cargo beds costing \$141 million for requirements that are inappropriate based on their planned use.

**Army Acquisitions:  
Decision to Buy Test Equipment Not Adequately Justified**

GAO/NSIAD-92-206, Apr. 30 (14 pages).

The integrated family of test equipment (IFTE) is a general-purpose automatic test equipment system intended to support Army electronic, missile, aircraft, and combat vehicles. To see whether Army analyses provide valid support for buying IFTE, GAO reviewed (1) the Army's 1989 and 1992 cost and operational effectiveness analyses for IFTE, (2) the 1990

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cost-benefit analysis of the electro-optic augmentation for IFTE, and (3) the supporting data for these analyses.

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## Testimony

Operation Desert Storm: Project Manager's Assessment of Patriot Missile's Overall Performance Is Not Supported, by Richard Davis, Director of Army Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-92-27, Apr. 7 (eight pages).

The Army and supporting contractors overcame significant obstacles to provide tactical missile defense in Saudi Arabia. A project manager's assertion in February 1992 that the Patriot was successful against 70 percent of Iraqi Scuds was unsupported, however, relying on documents with significant limitations. Additional information, such as the number of Patriot missiles needed to destroy or divert the Scud and the significance of false targets, could provide a more complete understanding of the Patriot's performance. Project officials have also recognized limitations in their supporting data and are reworking their assessment.

Defense Health Care: Obstacles in Implementing Coordinated Care, by David P. Baine, Director of Federal Health Care Issues, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services. GAO/T-HRD-92-24, Apr. 7 (17 pages).

While not a panacea, managed care in the military health services system holds promise for gaining more control over costs, improving beneficiary access, and offering high-quality care. This effort is threatened by serious obstacles, however, including budget constraints arising from military downsizing, building a consensus of support among various parties for managed care, and making key operation decisions given minimal data from the Defense Department's (DOD) demonstration projects. This testimony focuses on (1) the challenges DOD faces in implementing the Coordinated Care Program throughout the military health services system, (2) implementation problems and some options available to DOD in dealing with them, and (3) the use of contracting in Coordinated Care.

Defense Health Care: Efforts to Manage Mental Health Care Benefits to CHAMPUS Beneficiaries, by David P. Baine, Director of Federal Health Care Delivery Issues, before the House Select Committee on Children, Youth, and Families. GAO/T-HRD-92-27, Apr. 28 (19 pages).

GAO testified on Defense Department (DOD) efforts to assess the quality of mental health care being delivered to its beneficiaries. In GAO's view, DOD's management of mental health care has improved since the 1980s, and DOD's mental health care reforms are headed in the right direction. More effective controls are now in place over utilization of mental health benefits, DOD has developed a quality assurance plan for the future, and managed care techniques being tested around the country are starting to contain costs. GAO has substantial concerns, however, about the quality and appropriateness of mental health care being provided to DOD beneficiaries and believes that DOD needs to be more aggressive in dealing with problem providers. The kinds of problems that DOD is now uncovering are not new. Similar problems were found during the 1970s, and steps were taken at that time to address them. But little monitoring was done during the 1980s, and DOD now confronts the same problems.

National Defense Stockpile: Views on DOD's 1992 Report to the Congress and Proposed Legislation, by Donna M. Heivilin, Director of Logistics Issues, before the Subcommittee on Seapower and Strategic and Critical Materials, House Committee on Armed Services. GAO/T-NSIAD-92-32, Apr. 29 (18 pages).

While the Defense Department (DOD) has improved considerably its methodology for estimating stockpile requirements, GAO is concerned about the representation of uncertainty associated with goal estimates and the use of outdated information in the models. Although these shortcomings cast doubt on the specifics of DOD's proposed requirements goals, changes in world affairs and cuts in U.S. military forces suggest that cautious disposal of some material is probably prudent. GAO recommends that DOD disposal of cobalt and other materials be carried out in full consultation with experts in other federal agencies and outside the government.

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## Natural Resources

### **Grazing Fees:**

#### **BLM's Allocation of Revenues to Montana Appears Accurate**

GAO/RCED-92-95, Mar. 11 (25 pages).

The Bureau of Land Management (BLM) collected \$2.2 million in grazing fees in Montana in fiscal year 1991, part of which was distributed to state and local governments. GAO concludes that BLM's management of these receipts provides reasonable assurance that Montana is receiving its full

share of the grazing fee receipts. GAO found that no lands had been misclassified, and the grazing fee receipts had been properly distributed. While basically sound, BLM's grazing fee billing and accounting systems are subject to errors, as any automated system is if data are entered incorrectly and mistakes are not caught and corrected. Although GAO found several instances of inaccurate data entry, BLM had corrected them by the time of GAO's review. With the formation of a committee to identify and implement edit-checks needed to refine its system, BLM has started to ensure greater accuracy of the information in the system. GAO believes that these efforts are worthwhile and should be continued.

**Federal Lands:  
Oversight of Long-Term Concessioners**

GAO/RCED-92-128BR, Mar. 20 (24 pages).

Nationwide, the federal government has about 1,500 long-term agreements (five years or more) with private concessioners for recreation services ranging from ski resort operations to raft trips. These concessioners operate on land managed by six federal agencies. This report examines the (1) concessioners' overall performance; (2) concessioners' compliance with federal, state, and local health and safety standards; and (3) reasonableness of prices concessioners charge the public for services.

**Federal Lands:  
Reasons for and Effects of Inadequate Public Access**

GAO/RCED-92-116BR, Apr. 14 (34 pages).

The public's access to more than 50 million acres, or 14 percent, of the land managed by the Forest Service and the Bureau of Land Management (BLM) is considered inadequate by agency managers. Private landowners' unwillingness to grant public access to their land has increased during the past decade as the public's use of public land has increased. Factors contributing to inadequate access are private landowners' concerns about vandalism and potential liability or their desire for privacy and exclusive personal use. To resolve the public access problem, the Forest Service and BLM can acquire either all rights and interests associated with the land (fee simple acquisition) or perpetual easements (limited controls over the land that are binding on succeeding owners). In fiscal years 1989-91, the Forest Service and BLM acquired permanent, legal public access to about 4.5 million acres of federal land. As of October 1991, the two agencies had

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about 3,300 actions pending to open another 9.3 million acres of federal land to the public.

**Bureau of Reclamation:  
Central Valley Project Cost Allocation Overdue and New Method  
Needed**

GAO/RCED-92-74, Mar. 31 (22 pages).

This report examines how the Bureau of Reclamation allocates construction costs for the Central Valley Project. Located in California's Central Valley Basin, the project is the Bureau's largest water resource project, with authorized construction costs totaling more than \$6.5 billion as of September 1990. While primarily devoted to irrigation, the project also provides flood control, hydroelectric power, and recreation uses. GAO (1) discusses the status of the Bureau's effort to reallocate project costs in accordance with a 1986 congressional mandate, (2) describes the Bureau's current cost allocation method, and (3) discusses alternative cost allocation methods.

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**Testimony**

Forest Service Timber Sales Program: Questionable Need for Contract Term Extensions and Status of Efforts to Reduce Costs, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-RCED-92-58, Apr. 28 (18 pages).

This testimony centers on two issues concerning the timber sales program run by the Forest Service. GAO discusses (1) a one-year extension in the length of timber sales contracts in response to dramatic reductions in the prices for wood products and (2) the Forest Service's response to a fiscal year 1991 directive to reduce costs in its timber sales program.

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**Science, Space, and  
Technology**

**Kennedy Space Center:  
Decision on Photographic Requirements Appears Justified**

GAO/NSIAD-92-192, Apr. 23 (nine pages).

GAO reviewed allegations of potentially wasteful duplication of photographic services at NASA's John F. Kennedy Space Center. NASA's decision to transfer some photography work from the photographic



support contractor to the shuttle processing, payload ground operations, and base operations contractors was an attempt to hold the three contractors more fully accountable for accomplishing their missions. Most of the photography in question is a minor duty of quality assurance personnel, who work with easy-to-use cameras. According to NASA's Inspector General, it would be more expensive to have the photographs taken by the contractor. Engineers who use the photographs are generally satisfied with their quality, and, in cases in which NASA believes that it needs professional-quality photographs, it can have the contractor take them.

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## Testimony

NSF Review: Review Process for the National Science Foundation's Science and Engineering Pipeline Study, by Jim Wells, Associate Director for Energy Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-RCED-92-24, Apr. 8 (eight pages).

The National Science Foundation's (NSF) 1987 study entitled "The Science and Engineering Pipeline" was approved by several layers of NSF officials, and the internal review the study received appears to have followed NSF procedures. Information reported in a September 1991 NSF letter, however, may have given the impression that the study received more formal external review than was the case. GAO contacted nine individuals mentioned in the letter and discovered that eight of them had not provided formal review in the form of written or oral comments. When GAO brought this matter to the attention of NSF officials, they said that they used the word "review" to mean "professional interaction," which includes discussions within the professional community on concepts and topics related to the study.

Federal Research: Concerns About the Superconducting Super Collider, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-RCED-92-48, Apr. 9 (18 pages).

So far, Congress has provided about \$1.3 billion toward construction of the Superconducting Super Collider and is now considering the President's request for another \$650 million for fiscal year 1993. GAO testified that several factors could delay the project, increase its cost to the U.S. government, or reduce potential benefits. GAO believes that, as the investment increases and construction advances, it is more likely that

project funding will continue even if costs increase and other countries do not help pay for it. Accordingly, correcting the problems cited by GAO and obtaining firm funding commitments from other nations are necessary to protect the U.S. investment in the project. Continuation of federal funding could also be made contingent on the Department of Energy putting in place an integrated cost and schedule system, assessing the impact on the domestic economy of using foreign subcontractors, and obtaining firm commitments for contributions for other nations by a certain date.

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## Social Services

### **Maternal and Child Health: Block Grant Funds Should Be Distributed More Equitably**

GAO/HRD-92-5, Apr. 2 (85 pages).

Low- and moderate-income expectant mothers, their infants, and children with special health care needs are the intended beneficiaries of Maternal and Child Health Services block grants. This important federal program helps states deliver basic health care services, like prenatal and postpartum care, to those who might otherwise do without. GAO examined the current formula under which program funding—\$453 million in fiscal year 1990—is allocated among the 50 states and the District of Columbia. Its recommendation is that Congress adopt a formula that distributes state funding according to the following three factors: concentration of children at risk, costs of providing health care services, and states' ability to finance maternal and child health services. In redesigning the formula, however, Congress will need to strike a balance between equity for beneficiaries and state taxpayers. GAO's weighing of these two concerns in its example of a new allocation formula shows one way Congress' preferences could be implemented.

### **Unemployed Parents: An Evaluation of the Effects of Welfare Benefits on Family Stability**

GAO/PEMD-92-19BR, Apr. 29 (56 pages).

In this second report on the Aid to Families With Dependent Children (AFDC)—Unemployed Parents program, GAO finds mixed evidence on whether the program's presence affects AFDC-Basic caseloads. Proponents of program expansion argue that the availability of assistance would encourage stability among poor families. Opponents believe that adding

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program benefits could decrease family stability over the long-run and increase the AFDC-Basic caseload by undermining parental responsibility for supporting their children. This report does not provide conclusive support for either side of the debate over the possible consequences of the recent program expansion.

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## Tax Policy and Administration

### **Tax Administration: Federal Agency Tax Compliance Problems Remain; Improvements Are Planned**

GAO/GGD-92-29, Feb. 18 (16 pages).

In an earlier report (see GAO/GGD-91-45, Apr. 16, 1991), GAO noted the need for governmentwide efforts to resolve federal agencies' tax compliance problems. Since then, the Internal Revenue Service (IRS) has developed a plan to address this problem. Because the plan is not yet fully operational, however, IRS' accounts receivable inventory still contains millions of dollars in erroneous receivables from federal agencies, requiring IRS and the agencies to spend valuable resources correcting them. The errors mainly arise from the cumbersome paper-based processes used to make tax payments and meet filing requirements. GAO believes that proposed electronic payments and filing procedures offer promise in reducing the number of erroneous receivables from the agencies that will use it. As IRS continues to implement GAO's recommendations, the tax compliance problems of federal agencies should greatly diminish.

### **Tax Policy: Effects of Changing the Tax Treatment of Fringe Benefits**

GAO/GGD-92-43, Apr. 7 (112 pages).

The Department of the Treasury is expected to forgo about \$91 billion in tax revenues this year because employer-provided fringe benefits are excluded from taxable income. Proposals have been put forth to change the tax treatment of these benefits either by restricting the extent of subsidized benefits to reduce the deficit or lower income tax rates or by expanding benefit coverage. This report discusses employee benefit tax policy issues as they relate to four of the more common employer-provided fringe benefits: pensions, health and life insurance, and flexible benefits. For each benefit, GAO discusses (1) historical and legislative background, (2) data on employers who provide and employees

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who are covered by these benefits, (3) estimated tax expenditure data, and (4) the implications of taxing these benefits.

**Tax Administration:  
IRS Undercover Operations Management Oversight Should Be  
Strengthened**

GAO/GGD-92-79, Apr. 21 (58 pages).

While the Internal Revenue Service (IRS) has procedures to help minimize the risks associated with undercover operations, GAO found that these procedures are often ignored, increasing IRS' vulnerability to the operational breakdowns and misuse of funds alleged in Project Layoff. During that effort, IRS agents established a Las Vegas bookmaking business in the mid-1980s to identify unreported gambling income. GAO believes that IRS' existing procedures are solid but could be enhanced to better protect against operational vulnerability. Further, more management attention and priority needs to be given to the oversight of these projects.

**Undercover Operations:  
IRS' Management of Project Layoff**

GAO/GGD-92-80, Apr. 21 (22 pages).

GAO reviewed an Internal Revenue Service (IRS) undercover operation, known as Project Layoff, carried out in 1984 and 1985. As a result of congressional concerns about operational breakdowns and the potential for misuse of funds associated with Project Layoff, during which IRS agents set up a bookmaking business in an attempt to identify unreported gambling income, this report provides information on (1) how IRS planned and carried out the operation, (2) costs and results of the operation, (3) problems GAO noted with Project Layoff, and (4) changes IRS has made since the operation to prevent similar problems in future operations.

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**Testimony**

Tax Administration: An Update on IRS' Progress on Accounts Receivable and Strategic Management, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-92-26, Apr. 2 (12 pages).

The Internal Revenue Service (IRS) continues to fight an uphill battle in stemming the growth of its accounts receivable inventory and increasing

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collections of delinquent accounts. Although IRS's efforts to address the accounts receivable problem may bring about long-term results, the short-term trends are still disturbing. In fiscal year 1991, collections actually declined by five percent, while the total accounts receivable inventory increased from \$96.3 to \$110.7 billion. GAO testified that the accounts receivable problem and IRS' other business functions will benefit from attention to strategic management. IRS is starting to recognize that its component parts must contribute to overall goals and solve crossfunctional problems, such as reducing the accounts receivable inventory. The key challenge is to develop appropriate ways to measure IRS' progress in meeting its mission.

Tax Administration: One Stop Service—A New Concept of Assistance for Taxpayers, by Hazel E. Edwards, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-GGD-92-33, Apr. 28 (15 pages).

Fragmented taxpayer service programs mean that the public often must deal with several Internal Revenue Service (IRS) employees in different locations to resolve problems or get accurate answers to questions. To overcome this situation, IRS has adopted a new customer assistance initiative known as "One Stop Service." In the short term, IRS is trying to improve its telephone service by expanding the authority of its employees and providing more equipment to resolve taxpayer problems. IRS' long-term goal is to resolve 95 percent of all taxpayer inquiries through a single contact with the agency. One Stop Service is still a concept, however. To make it a reality, GAO believes that IRS needs uniform implementation across field offices to deliver consistent services to taxpayers. One Stop Service also demands strong leadership to deliver essential staffing and equipment, training, and a way to measure success. Finally, One Stop Service will not meet IRS' September 1998 startup date without computer and telecommunications systems that are integral to Tax Systems Modernization.

Tax Administration: IRS' Budget Request for Fiscal Year 1993, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-92-34, Apr. 30 (25 pages).

GAO testified that the Internal Revenue Service's (IRS) budget request for fiscal year 1993 projects minimal growth in collection staffing and a

decline in examination staffing from fiscal year 1990. This lack of growth in enforcement staffing comes at a time when enforcement statistics continue to show negative trends. For example, the accounts receivable inventory is still growing at a faster pace than delinquent tax collections, and audit coverage is projected to again fall below one percent. In addition, much of the anticipated productivity savings in the fiscal year 1993 budget, like those in the last budget, appear to have been based on unrealistic assumptions. The result is that programs are being cut to reflect "savings" that are not really there. Lastly, GAO believes that American taxpayers have a right to expect results from the considerable investment in Tax System Modernization. The biggest payback could come from major changes in the way IRS does business. GAO also discusses the resource levels for three specific IRS functions—taxpayer service, criminal investigations, and exempt organizations.

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## Transportation

### **Aviation Safety:**

#### **Users Differ in Views of Collision Avoidance System and Cite Problems**

GAO/RCED-92-113, Mar. 16 (19 pages).

For more than 30 years, the Federal Aviation Administration (FAA) and the aviation industry have been working to develop a system to prevent mid-air and near mid-air collisions. After evaluating several systems, FAA decided in 1981 to develop and deploy the Traffic Alert/Collision Avoidance System, an airborne, aircraft-to-aircraft system that scans surrounding airspace, warns of potential intruders, and recommends evasive maneuvers. This report discusses (1) pilots' and air traffic controllers' views on the system; (2) FAA efforts to resolve problems with the system; and (3) key aspects of FAA's software engineering approach, including FAA's plans to verify and validate the system.

### **Aviation Safety:**

#### **Progress Limited With Self-Audit and Safety Violation Reporting Programs**

GAO/RCED-92-85, Mar. 31 (20 pages).

Concerned that some airlines have been paying more attention to profits than to safety and have been inadequately monitoring compliance with safety regulations, the Federal Aviation Administration (FAA) announced

two major initiatives to improve air safety. The self-audit program encourages airlines to voluntarily develop better ways of evaluating all basic areas—maintenance, flight operations, and security. The voluntary disclosure program urges airlines to report safety problems with the promise of amnesty from any fine or penalty if they take corrective actions approved by FAA. While FAA's objectives are laudable, and the programs reflect improvements long advocated by industry observers, GAO is concerned that basic incentives for the airlines to act on their own are uncertain. In addition, FAA has not clearly articulated basic implementation issues or adequately trained its inspectors. Furthermore, FAA's "hands off" approach to oversight does not convey a strong sense of commitment to the industry. Fundamental FAA oversight is needed if the programs are to have any chance of living up to their promise.

**Transportation Infrastructure:  
Urban Transportation Planning Can Better Address Modal  
Trade-offs**

GAO/RCED-92-112, Apr. 2 (36 pages).

Almost 70 percent of peak-hour interstate travel was congested in 1990, and six out of 10 people lived in areas that failed to meet national air quality standards. Recent legislation provides \$155 billion in federal assistance for highway and mass transit programs over a six-year period ending in fiscal year 1997. States and localities will have unprecedented flexibility in addressing congestion and air quality problems, a critical issue in meeting the requirements of the Clean Air Act Amendments of 1990. For some areas, this means building high-occupancy vehicle lanes and improving mass transit instead of widening lanes for single-occupant cars. This report examines funding flexibility between the highway and mass transit programs. GAO looks at (1) the extent to which highways and mass transit program funds have been used across modal lines and (2) the highway and mass transit planning processes to determine if improvements are needed to make more effective choices in addressing congestion and clean air problems.

**Air Traffic Control:  
Status of FAA's Modernization Program**

GAO/RCED-92-136BR, Apr. 3 (78 pages).

This briefing report provides information on the Federal Aviation Administration's (FAA) air traffic control modernization program, which is acquiring radars, computers, and communications networks to make air travel more safe and efficient. Facilities and equipment appropriations, the main source of funding for air traffic control modernization, have risen ten fold, from about \$260 million in fiscal year 1982 to almost \$2.4 billion 10 years later. FAA is seeking \$2.7 billion in its fiscal year 1993 budget request, a 13-percent increase over the fiscal year 1992 appropriation. To assist Congress in its review of the fiscal year 1993 facilities and equipment budget and its continuing oversight of the Aviation System Capital Investment Plan, which is what the air traffic control modernization effort is now called, GAO provides cost and schedule information on the plan as a whole as well as on specific projects.

**Amtrak:  
Information on Amtrak's Operating Expenses**

GAO/RCED-92-177FS, Apr. 23 (27 pages).

In response to congressional concerns about how Amtrak spends its federally allocated funds, this fact sheet provides information on Amtrak's operating expenses. GAO found that Amtrak pools its operating revenues with its federal operating subsidies and makes no distinction about the source of funds when allocating them to operating programs. Amtrak accumulates funds in anticipation of future costs like accident claims and upcoming labor agreements. Amtrak spent \$1.5 million on travel between October 1987 and February 1992 for its Board of Directors and other high-level officials and spent \$96.4 million during this same period on dues and memberships, travel, professional fees, courses and seminars, and meetings.

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**Testimony**

Aviation Safety: Slow Progress, Uncertain Future Threaten FAA Program to Measure Safety, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems Issues, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations. GAO/T-IMTEC-92-12, Apr. 1 (15 pages).

The Federal Aviation Administration (FAA) has made little progress in implementing a safety indicators program. In particular, management commitment and effective user involvement in the program have been lacking. While user involvement appears to be increasing, prospects for



the program's future remain in doubt because of long-term funding uncertainties and the unreliability of source data. In sum, GAO concludes that one cannot manage what one cannot measure. FAA cannot ensure the safety of the millions of Americans who fly until it commits to a system that can accept and analyze crosscutting data. Such a system must include reliable data that can provide managers with validated indicators that measure degrees of safety—indicators that can warn of needed remedial action. While FAA is considering new initiatives to come to terms with these problems, sustained management support and attention will still be necessary if FAA is to realize the potential benefits that this program can offer.

FAA Budget: Key Issues Need to Be Addressed, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-92-51, Apr. 6 (26 pages).

In this testimony on the Federal Aviation Administration's (FAA) fiscal year 1993 budget request for \$9.4 billion, GAO touches on the agency's management of air traffic controllers, maintenance technicians, and aviation safety inspectors; modernization of the air traffic control system; changes related to satellites, support services, and the consolidation of air traffic control facilities; and the need for FAA to establish measurable program goals. While FAA has made great strides during the last decade improving the nation's air traffic control system and ensuring air safety, future progress depends on FAA's resolving concerns about the adequacy of staffing levels, targeting of resources, modernization cost increases and delays, and uncertainties about consolidation and satellites. GAO believes that FAA needs to improve its planning in areas such as modernization of the air traffic control system, airport development, and research and development. Through its planning, FAA should commit itself to appropriate goals that will help guide funding decisions and act as benchmarks in measuring progress.

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## Veterans Affairs

**VA Health Care:  
The Quality of Care Provided by Some VA Psychiatric Hospitals Is Inadequate**

GAO/HRD-92-17, Apr. 22 (60 pages).

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None of the four Department of Veterans Affairs (VA) psychiatric hospitals GAO visited is effectively collecting and using quality assurance data on a consistent basis to identify and resolve quality-of-care problems in the psychiatric and medical care that patients are receiving. As a result, questionable psychiatric practices may go unnoticed, and medical procedures or practices that are known to have contributed to deaths or medical complications may continue. VA and non-VA hospital systems GAO visited, both psychiatric and acute medical/surgical, differ little in their approach to identifying quality-of-care problems. The quality assurance mechanisms each uses to make sure that quality-of-care standards are met are similar because most use the Joint Commission on Accreditation of Healthcare Organizations as its primary external review group. Further, many of the problems discovered in VA hospitals have also been found in non-VA hospitals.

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